



Ting Zhu

Purdue University, Mitch Daniels School of Business



Presentation

Insurtech, sensor data, and changes in customers' coverage choices: Evidence from usage-based automobile insurance

In this paper, we examine the role of usage-based auto insurance on customer decisions to change their insurance coverage at renewal. Using a sample of 135,540 customers, we study whether usage-based insurance (UBI) can facilitate the upselling and cross-selling efforts of the firm, possibly leading to higher coverage choices and additional insurance product purchases. Our results suggest that UBI customers are more likely to change their coverage choice than non-UBI customers at first (but not second) renewal. Both price discounts and the information provided by UBI affect the customers' coverage changes. Among UBI customers, those who get higher UBI discounts are more likely to both increase their insurance coverage (upselling) and add the comprehensive coverage option (cross-selling), which is not directly related to driving behavior at the time of first (annual) renewal. Moreover, customers who have received more negative feedback (daily hard brakes) are more likely to increase their insurance coverage.